

[HOSPITAL NAME]

ADMINISTRATIVE POLICY

CATEGORY: FINANCE

CODE: B-1

SUBJECT: *HOSPITAL BUDGET*

EFFECTIVE:

COORDINATOR: **Business Manager**

- A. The fiscal year for *[Hospital Name]* is January 1 to December 31. A balanced operating budget will be developed for HOSPITAL prior to the start of fiscal year and submitted to the Board of Directors for approval.
- B. The budget should reflect the general mission of the institution and the specific mission of each department by having appropriate allocation of resources.
- C. The Hospital Business Manager will initiate the budgeting process and is tasked with obtaining necessary input, coordinating, and approval of the budget. In completing this the following procedure.

APPROVED _____

DATE _____

[HOSPITAL NAME]

ADMINISTRATIVE PROCEDURE

CATEGORY: FINANCE

CODE: B-1.1

SUBJECT: BUDGET PROCEDURE

COORDINATOR: Business Manager

The following procedure will be followed to establish an annual budget:

<u>Initiator of Action</u>	<u>Action</u>
Business Manager	<ol style="list-style-type: none">1. Meet with department heads and determine the volumes of service expected for the next fiscal year. Consideration will be given to:<ol style="list-style-type: none">a) Current volumes (Admissions, Outpatient visits, surgeries, deliveries, etc.)b) Increase/decrease volumes due to increase/decrease in service staffc) Increase/decrease volumes due to increase/decrease in equipmentd) Increase/decrease volumes due to added/deleted servicese) Any forecasted change in the patient mix2. Meet with CEO and identify any capital projects or purchases required in the next year in accordance with Policy B-3 and 6.
Business Manager & Head of Department	<ol style="list-style-type: none">1. Input and cost evaluations, determine the pricing levels for the following year. This can be used to calculate expected income. Expected costs will impact projected expenses.2. For each expense item the inflation factor and any added or reduced expenses will be determined including changes in the employee wage scales. Consideration should be given to each income and expense line in collaboration with the heads of each department. A flat percentage of current expenses should only be used if the projections for the following year are unknown.
Business Manager	Develop draft department budgets and the institutional budget based on the input of the above actions.
Department Heads	Review the draft budget for their area before submission to the Administrative Committee for any final comments.
Business Manager & Administrative Committee	Review the combined budget for the hospital as presented by the Business Manager and make any changes or recommendations.
CEO/Administrator	Present the finalized departmental and capital budget to the Board of Directors for approval.

Once approved by the Board of Directors, the budget will be included in monthly financial statements. Financial statements will be produced each month and budget variances will be analyzed and appropriate corrective action taken in the event of budget variances.

[HOSPITAL NAME]

ADMINISTRATIVE POLICY

CATEGORY: FINANCE

CODE: B-2

SUBJECT: *FINANCIAL REPORTS AND CONTROLS*

EFFECTIVE:

COORDINATOR: **Business Manager**

- A. A monthly financial report will be produced which contains the following:
 - 1. A balance sheet/statement of financial position containing the current and previous year information.
 - 2. A statement of financial activity which contains for each major income and expense area, the current year to date, the year to date budget, and the previous year to date information.
 - 3. A statement of Cash Flow
 - 4. A statement containing the income and expenses by department.
 - 5. The notes to the Statement of Financial Position and Financial Activity.

- B. The monthly report will be distributed to members of the Hospital Administrative Committee and to department heads.

- C. The monthly reports will be prepared and submitted by the end of the 20th day of the following month.

APPROVED: _____

DATE: _____

[HOSPITAL NAME]

ADMINISTRATIVE PROCEDURE

CATEGORY: FINANCE

CODE: B-2.1

SUBJECT: FINANCIAL REPORT REVIEW

COORDINATOR: Business Manager

The following procedure will be followed to review the financial statements:

<u>Initiator of Action</u>	<u>Action</u>
Business Manager	<ul style="list-style-type: none">Analyze the financial report and determine which areas of income are below budget and which area of expenses are over budget.Consider the volume of the department Admissions, visits, surgeries, and identify if there have been changes in expectations for the month
Business Manager & Heads of Departments	<ul style="list-style-type: none">Meet with those department heads which are under budget in the income area and/or over budget in the expense area. The objective of the meeting is to determine the causes for the out of budget condition and agree upon a plan to deal with the budget problem.A plan will be implemented to correct the discrepancies from the budget.
Business Manager	Present to the Hospital Administrative Committee a report on the financial statement, causes for out of budget occurrences and the plans for coping with the problem.
Administrative Committee	Carefully review the financial statement and corrective plans and vote receipt and approval of the corrective action plan.
Business Manager	Monitor the corrective action plans and report back to the Hospital Administrative Committee the progress on the plans.

Key Performance Indicators:

Working Capital = Current Assets – Current Liabilities (Should be positive)

Current Ratio = Current Assets/Current Liabilities (This should be 1 or greater)

Quick Ratio = (Cash+AR)/Current Liabilities (This should be 1 or greater)

Revenue per Admission = Patient Revenue/Admission or Visits (compare between time periods to show revenue per admission)

Total Expense per Admission = Total Expenses/Admission or Visits (compare between time periods to manage expenses)

Supply cost per Admission = Supplies/Admission or Visits (compare between time periods to manage supplies)

